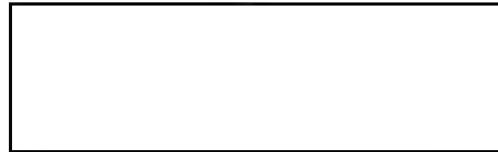


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EGYPT: The new cabinet announced yesterday reflects President Sadat's intent to impress a nationalist stamp on his government as well as to establish a smooth transition from the Nasir administration.

The selection of Mahmud Fawzi, a respected career diplomat and elder statesman who served as Nasir's foreign policy adviser, as prime minister underlines Cairo's continued interest in seeking a diplomatic solution to the confrontation with Israel. The retention of virtually all of the previous administration's cabinet members is clearly designed to extract the maximum political mileage from the strong hold that the memory of Nasir has on the Egyptians.

In the view of US officials in Cairo, the appointment of Fawzi, who has no power base of his own, was an attempt to forestall infighting within the regime which might have been set into motion by the selection of the more powerful Ali Sabri or Zakariya Muhyeddin. The rejection of these two, who were reputed to have pro-Soviet and pro-Western sympathies respectively, was probably intended to demonstrate also that the Egyptians are determined to manage their own affairs.

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The formation of the new government leaves the transitional collegial leadership essentially intact with the instruments of power still in the hands of Sadat, Minister of State Sami Sharaf, and Interior Minister Sharawi Jumah. Ali Sabri reportedly will become a vice president in charge of foreign affairs, a position which can serve as a channel to Moscow.

The new Egyptian President also sought to give an impression of a continuation of Nasir's policies in the Arab Socialist Union (ASU), Egypt's sole political party, by naming Abd-al-Muhsin Abu-al Nur as]

its secretary general. Abu-al-Nur, a former military colleague of both Sadat and Nasir, has been the ASU's assistant secretary general since the June 1967 war.

The Soviet Union is unlikely to have any difficulty with either the new cabinet or the new ASU secretary general. To maintain its position in Egypt, Moscow is concerned only that there be a stable pro-Soviet regime in Cairo; its interests are not tied with any one individual. Cognizant of Moscow's objectives, the Egyptian Army at this point is likely to agree to any governmental lineup that is acceptable to the Soviets and thus provides for a continued flow of arms to Cairo.

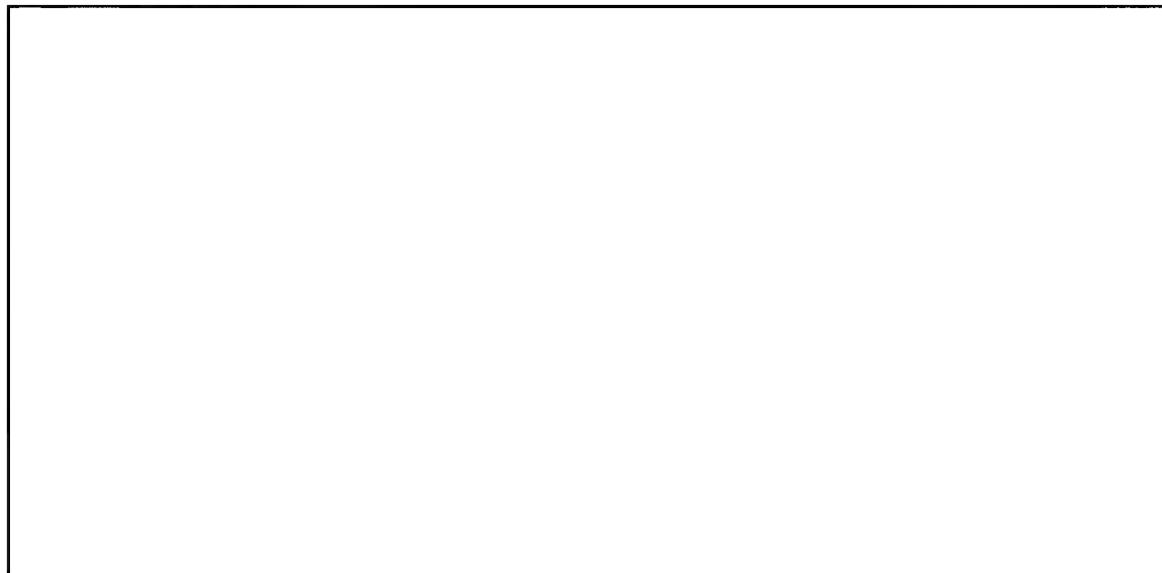
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ITALY: Prime Minister Colombo's coalition government faces a crucial week in Parliament. Certain economic legislation central to the government's program must receive parliamentary approval by 26 October or be nullified. Passage on the basis of agreement between the four coalition parties, and perhaps even with the acquiescence of the Communist Party, is the most likely outcome. Maneuvering to satisfy these diverse forces may be difficult, however, particularly in the face of calculated obstructionism by dissident elements to the left of the Communist Party.

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